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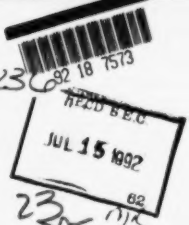

92-223

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROCESSED BY
JUL 20 1992

Commission file number 0-12807

PHOTOCOMM, INC.

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Incorporated in the State of Arizona IRS No. 86-0411983

7681 East Gray Road
Scottsdale, Arizona 85260
(602)948-8003

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes (X) No ( )

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes (X) No ( )

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of June 30, 1992
Common Stock, $0.10 par value	9,010,037

PHOTOCOMM, INC.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
PHOTOCOMM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MAY 31, 1992 and AUGUST 31, 1991

Assets	5/31/92	8/31/91
Current Assets:		
Cash and cash equivalents	$ 21,540	$ 119,454
Accounts receivable	1,365,670	1,624,855
Inventories	2,765,589	2,267,223
Other current assets	175,629	117,421
Total current assets	4,328,428	4,128,953
Property and equipment at cost less accumulated depreciation and amortization	1,709,924	1,731,109
Other assets	334,393	378,696
Total assets	$ 6,372,745	$ 6,238,758
Liabilities and Stockholders' Equity		
Current Liabilities:		
Current installments of long term debt	$ 272,641	$ 373,439
Accounts payable	2,133,978	1,287,504
Accrued salaries & wages	84,410	152,921
Accrued interest payable	115,697	116,442
Other accrued expenses	56,111	44,744
Total current liabilities	2,662,837	1,975,050
Long-term debt, less current installments	975,678	1,008,814
Subordinated convertible debentures	750,000	1,375,000
Total liabilities	4,388,515	4,358,864
Stockholders' Equity:		
Preferred stock: $.001 par value, 5,000,000 shares authorized;		
Series A 12% convertible preferred stock, 100,000 shares authorized; 92,101 and 71,000 shares issued and outstanding	92	71
Series B 12% convertible preferred stock, 350,000 shares authorized; 191,692 shares issued and outstanding	192	-
Common stock: $.10 par value, 20,000,000 shares authorized; 9,010,037 and 9,186,205 shares issued and outstanding	901,004	918,621
Additional paid-in capital	6,794,589	5,998,990
Accumulated deficit	(5,711,647)	(5,037,788)
Total stockholders' equity	1,984,230	1,879,894
Total liabilities and stockholders' equity	$ 6,372,745	$ 6,238,758

See accompanying notes to consolidated financial statements.

PHOTOCOMM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended May 31		Nine Months Ended May 31	
	1992	1991	1992	1991
Sales, net	$2,575,014	$2,514,444	$7,749,076	$7,581,742
Cost of sales	1,984,355	1,891,496	5,968,112	5,450,320
Gross profit	590,659	622,948	1,780,964	2,131,422
Selling, general and administrative	802,695	957,463	2,346,769	2,738,384
Loss from operations	(212,036)	(334,515)	(565,805)	(606,962)
Other income (expense):				
Interest expense	(59,108)	(68,195)	(171,650)	(201,049)
Interest income	321	236	3,106	48,499
Other, net	31,572	16,563	60,490	38,185
Net loss	$ (239,251)	$(385,911)	$ (673,859)	$(721,327)
Loss per share	$ (.03)	$ (.04)	$ (.08)	$ (.08)
Weighted average number of common shares outstanding	9,056,621	8,923,288	9,056,621	8,923,288

See accompanying notes to consolidated financial statements.

PHOTOCOMM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

MAY 31, 1992 AND AUGUST 31, 1991

(UNAUDITED)

	CONVERTIBLE PREFERRED STOCK SERIES A		CONVERTIBLE PREFERRED STOCK SERIES B		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TO
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT			
Balance, August 31, 1991	71,000	$ 71	0	$ 0	9,186,205	$918,621	$5,990,990	$(5,037,700)	$1,879,
Net loss								(673,859)	(673,
Conversion of common stock and convertible debenture into preferred stock			186,109	186	(200,000)	(20,000)	700,359		680,
Preferred stock dividends declared ($0.15 per share)							(47,770)		(47,
Preferred stock dividends issued	6,101	6	5,583	6			58,488		58,
Purchase of restricted common shares					34,332	3,433	23,617		27,
Purchase of preferred stock	15,000	15					59,985		60,
Cancel unissued common stock reserved for Sunland merger					(12,500)	(1,250)	1,250		--
Additional issuance costs of preferred shares							(250)		(
Balance, May 31, 1992	92,101	$ 92	191,692	$ 192	9,010,037	$901,004	$6,794,589	$(5,711,647)	$1,984,

See accompanying notes to consolidated financial statements.

PHOTOCOMM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED MAY 31, 1992 AND 1991
(UNAUDITED)

	1992	1991
Cash flows from operating activities:		
Net loss	$(673,859)	$(721,327)
Adjustments to reconcile net loss to net cash used by operating activities:		
Interest income on discounted note	-	(42,670)
Depreciation and amortization	168,621	114,415
Loss on sale of property and equipment	6,521	1,822
Increase (decrease) in allowances for doubtful accounts and inventory obsolescence		
Decrease (increase) in accounts receivable	57,935	(19,450)
(Increase) in inventories	223,785	(154,087)
Increase in accounts payable and accrued expenses	(513,608)	(653,750)
(Increase) in other current assets	854,530	85,657
	(58,208)	(43,365)
Net cash provided by (used in) operating activities	65,717	(1,432,755)
Cash flows from investing activities:		
Sale of property and equipment	500	1,750
Purchase of property and equipment	(117,447)	(646,379)
Other, net	-	(31,070)
Net cash used in investing activities	(116,947)	(675,699)
Cash flows from financing activities:		
Repayments of long-term debt	(288,493)	(515,576)
Proceeds from issuance of long-term debt	154,559	1,388,595
Proceeds from issuance of common stock	27,250	1,250,000
Proceeds from issuance of preferred stock	60,000	-
Net cash (used in) provided by financing activities	(46,684)	2,123,019
Net (decrease) increase in cash and cash equivalents	(97,914)	14,565
Cash and cash equivalents at beginning of year	119,454	68,547
Cash and cash equivalents at end of quarter	$ 21,540	$ 83,112

See accompanying notes to consolidated financial statements.

PHOTOCOMM, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1992

A. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for presentation of interim financial information. They do not include all information and presentation of footnotes required by generally accepted accounting principles for presentation of complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

B. Accounts Payable

Effective February 1, 1992, Westinghouse Electric Corporation began purchasing two of the Company's major solar electric system components. The products represent forty percent of the Company's purchasing requirements. The Company has an open secured line of credit for $1,500,000 with Westinghouse Electric Corporation.

C. Subordinated Convertible Debenture

Effective December 31, 1991, Westinghouse Electric Corporation converted its $625,000 Subordinated Convertible Debenture issued by the Company dated March 28, 1990 and accrued interest on the debenture in the amount of $55,545 into a new Series B Convertible Preferred Stock issuance.

D. Westinghouse Debt/Equity Restructure

Effective December 31, 1991, Westinghouse Electric Corporation acquired 186,109 shares of a new Series B Convertible Preferred Stock for $930,545. Westinghouse Electric Corporation's purchase price was comprised of 200,000 shares of the Company's Common Stock, the Convertible Debenture for $625,000 issued by the Company dated March 28, 1990 and accrued interest on the debenture in the amount of $55,545. The Series B Stock is convertible on the basis of four common shares per preferred share, with a cumulative 12% dividend in kind. The Company has the right to redeem the outstanding Series B Preferred Stock at any time after December 31, 1996 for $5.00 per share.

E. Preferred Stock

Effective March 25, 1992, Robert R. Kauffman acquired 15,000 shares of a new Series A Convertible Preferred Stock for $60,000. The Series A stock is convertible on the basis of four common shares per preferred share, with a cumulative 12% dividend payable in kind. The Company has the right to redeem the outstanding Series A Preferred Stock at any time after August 31, 1996 for $4.00 per share.

F. Seasonal Nature of the Business

Revenues of the Company are generally greater in its third and fourth quarters (March through August) due to seasonal factors.

Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations

This discussion and analysis should be read in conjunction with the consolidated financial statements and the related notes thereto included elsewhere in this report.

Results of Operations

Three and nine months ended May 31, 1992 vs. three and nine months ended May 31, 1991.

Sales:

Sales for the third quarter ended 1992 and 1991 respectively are $2,575,014 versus $2,514,444. Net sales for the nine months ended increased from $7,581,742 to $7,749,076, a 2% increase. Sales revenue increases for the quarter and for the nine months ending May 31, 1992, can be attributed to sales increases in the Company's Industrial division, with offsetting reductions in the Consumer division. The Company attributes the revenue increases of the Industrial division to successful implementation of a refocused marketing effort in the industrial systems markets, as well as the successful completion of its solar module contract for the Department of Defense. The Company attributed sales declines in the Consumer division to the economic recession and also to the closing of two consumer regional centers in the fourth quarter of fiscal 1991.

Gross Profit:

Gross Profits (sales less cost of sales) have decreased 16% in 1992. Gross Profits were $590,659 or 23% for the third quarter and $1,780,964 or 23% for the nine months ended May 31, 1992 compared to $622,948 or 25% for the quarter and $2,131,422 or 28% for the nine months ended May 31, 1991. The reductions in gross profits for the quarter and nine months ended are a result of increased price pressures created by the economic recession, as well as a significant number of large industrial sales in fiscal 1992, with lower gross profits. The Company anticipates that gross profits will improve slightly in the fourth quarter of the fiscal year due to higher margined industrial system sales and improved economic conditions.

Selling, General and Administrative Expenses (SG&A):

SG&A Expenses in 1992 were $802,695 for the third quarter and $2,346,769 for the nine months ended May 31, 1992 compared to $957,463 and $2,738,384 for the same periods of the prior year. The expense reductions are attributed to the closure of two regional sales centers in the fourth quarter of 1991, reduction of expenses in the lighting division and reduction of expenses in the corporate headquarters. The Company anticipates further reductions in expenses if economic conditions do not improve in the fourth quarter.

Other Income (Expense):

The Company's non-operating income and expenses consist mainly of interest expense, interest income and consulting income.

Interest expense changed to $59,108 for the third quarter and $171,650 for the nine months ended May 31, 1992 compared to $68,195 and $201,049 for the

same periods of the prior year. The reduction in the interest expense is attributed to the reduction in debt for the Company in the second quarter of 1992 from the Westinghouse debt and equity restructure.

Interest income changed to $321 for the third quarter and $3,106 for the nine months ended May 31, 1992 compared to $236 and $48,499 for the same periods of the prior year. The significant reduction for the nine months ended May 31, 1992 is attributed to additional interest accrued in the second quarter of 1991 for the Company's Note Receivable which was offset in the second quarter of 1991.

Other Income changed to $31,572 for the quarter and $60,490 for the nine months ended May 31, 1992 compared to $16,563 and $38,185 for the same periods of the prior year.

The increase in 1992 is attributed to $110,000 in consulting and technology transfer sales which the Company has received in the first nine months of 1992, with partially offsetting reductions of $51,000 for litigation charges in the first quarter of 1992.

Net Loss:

The net loss decreased to $239,251 for the quarter and $673,859 for the nine months ended May 31, 1992 compared to $385,911 and $721,327 for the same periods of the prior year. The reduction in losses can be primarily attributed to the Company's reductions in SG&A expenses for the quarter and nine months ended May 31, 1992 of $154,678 and $391,615 respectively, with offsetting reductions in gross profits for the same periods of $32,289 and $350,458.

Liquidity and Capital Resources:

The Company's working capital position has changed to $1,665,591 on May 31, 1992 compared to $2,153,903 on August 31, 1991. The Company's working capital ratio is 1.62 to 1 versus 2.1 to 1 in August of 1991. The change is a result of reductions in current assets of cash and accounts receivables, with offsetting inventory increases, as well as an increase in trade payables.

Cash generated by operations was $65,717 for the nine month period. Cash used for property and equipment additions were $116,947.

Cash provided by financing activities was $241,809 for the nine month period. Cash used by financing activities for the nine month period was $288,493.

In December 1991, the Company sold a new issue of Series B Preferred Stock to Westinghouse Electric Corporation (Westinghouse). The Company sold 186,109 Preferred Shares valued at $5.00 per share. Westinghouse's purchase consideration included exchange of 200,000 common shares of the Company, the cancellation of its Convertible Subordinated Debenture for $625,000, and the cancellation of its accrued interest receivable for $55,545. The effect of the above transaction reduced the long-term debt to equity ratio from 1.39 to 1 to 1.18 to 1.

In January of 1992, the Siemens/Photocomm distribution arbitration matter was ruled on by the American Arbitration Association in Phoenix, Arizona. The arbitrator awarded Siemens Solar Industries a judgment in the amount of

approximately $400,000. The Company has paid off the entire amounts owed to Siemens effective April 20, 1992.

In February of 1992, Westinghouse began purchasing two of the Company's major solar electric system components. The products represent forty percent of the Company's purchasing requirements. The Company has an open secured line of credit for $1,500,000 with Westinghouse Electric Corporation.

Effective March 25, 1992, Robert R. Kauffman acquired 15,000 shares of new Series A Convertible Preferred Stock for $60,000. The Series A stock is convertible on the basis of four common shares per preferred share, with a cumulative 12% dividend payable in kind. The Company has the right to redeem the outstanding Series A Preferred Stock at any time after August 31, 1996 for $4.00 per share.

Although no assurances are possible, the Company anticipates that the proceeds from projected revenues from operations and its ability to access additional equity and debt financing sources, including bank lines of credit, will provide adequate funding for the Company's current obligations and projected operations for the next twelve months.

PART II. OTHER INFORMATION

Item 6. Exhibits

(a) Exhibits

The following Exhibits are filed as part of this Report:

Exhibit No.	Description	Page or Method of Filing
10V	Convertible Preferred Stock Purchase Agreement dated March 25, 1992 with Robert R. Kauffman	12

(b) Reports on Form 8-K

None filed during quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 14, 1992

PHOTOCOMM, INC.

By: Thomas C. LaVoy

Thomas C. LaVoy
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

EXHIBIT A

CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT

THIS CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT is made as of the 25th day of March, 1992 by and between ROBERT R. KAUFFMAN ("Investor"), and PHOTOCOMM, INC., an Arizona corporation (the "Company").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Purchase and Sale of Preferred Stock

1.1 Sale and Issuance of Preferred Stock

(a) The Board of Directors of the Company has authorized the issuance of a series of the Company's authorized Preferred Stock to be known as Series A Convertible Preferred stock, which series shall have such powers, privileges and rights and shall be subject to such restrictions and limitations as are set forth in Exhibit A attached hereto. Prior to the closing (as herein described) the Company shall file all necessary documents with the Arizona Corporation Commission to fully authorize the issuance of shares of Series A Convertible Preferred Stock. (Hereinafter the Series A Convertible Preferred Stock shall be referred to as the "Preferred Stock").

(b) Subject to the terms and conditions of this Agreement, the Investor agrees to purchase at the Closing and the Company agrees to sell and issue to the Investor at the Closing Fifteen Thousand (15,000) shares of Preferred Stock for the aggregate purchase price of Sixty Thousand and No/100 Dollars ($60,000), or $4.00 per share.

1.2 Closing. The purchase and sale of the Debenture shall take place at the offices of the Company at 7681 E. Gray Road, Scottsdale, AZ 85260 at 10:00 a.m. on March 25, 1992, or at such other time and place as the Company and Investor mutually agree upon, (which time and place are designated as the "Closing"). At the Closing, the Company shall deliver to Investor the Preferred Stock which Investor is purchasing against delivery to the Company by Investor of immediately available funds in the amount of the aggregate purchase price.

2. Representations and Warranties of the Company. The Company hereby represents and warrants to Investor that, except as set forth on a Schedule of Exceptions attached hereto as Exhibit B, specifically identifying the relevant sub-paragraph hereof, or on any other Exhibit attached hereto, which exceptions shall be deemed to be representations and warranties as if made hereunder:

2.1 The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Arizona and has all requisite corporate power and authority to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure so to qualify would have a material adverse effect on its business or properties.

2.2 Capitalization. The authorized capital of the Company consists, or will consist, immediately prior to the Closing of:

(A) Preferred Stock. 5,000,000 shares of Preferred Stock, zero shares of which are issued and outstanding. 100,000 shares of such stock will have been classified as Series A Convertible Preferred Stock with such rights, powers and privileges as are set forth in Exhibit A attached hereto.

(B) Common Stock. 20,000,000 shares of Common Stock, of which 9,171,205 shares are issued and outstanding.

(C) Except for (i) the respective $625,000 and $750,000 subordinated convertible debentures issued by the Company to Westinghouse Electric Corporation ("Welco"), convertible into 500,000 shares each of the Company's common stock, for a total conversion of 1,000,000 shares, and (ii) options to purchase up to 1,200,000 pursuant to Employee Stock Option Plan, of which 1,035,000 options have been issued, there are no options, warrants, conversion privileges, preemptive rights, or other rights presently outstanding for any of the authorized but unissued stock of the Company. There are no agreements among the major shareholders of the Company concerning the purchase or sale of securities of the Company except (i) the right of first refusal granted to Welco by Investor, granting Welco the right to purchase all of Investor's 1,100,000 shares of common stock in the Company, and (ii) a stock option granted to Welco by Programmed Land, Inc. ("PLI") granting Welco the option to acquire up to 3,875,000 shares of common stock in the Company held by PLI.

2.3 Subsidiaries. All subsidiaries of the Company are duly organized, validly existing, and in good standing under the laws of the state of their incorporation. The subsidiaries have all the requisite corporate power, authority, licenses and permits that are necessary to own, operate and lease its properties, and to carry on its business as now being conducted.

2.4 Authorization. All corporate action on the part of the Company, its officers, directors and shareholders necessary for the authorization, execution and delivery of this Agreement, the performance of all obligations of the Company hereunder and the authorization, issuance and delivery of the Preferred Stock has been taken or will be taken prior to the Closing, and this Agreement constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms.

2.5 Valid Issuance of Securities. The Preferred Stock being issued to the Investor hereunder, when issued, sold and delivered in accordance with the terms hereof for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable. Based in part upon the representations of the Investor in this Agreement, the Preferred Stock will be issued in compliance with all applicable federal and state securities laws. The Common Stock issuable upon conversation of the Preferred Stock has been duly and validly reserved for issuance and upon issuance in accordance with the terms of the Company's Articles of Incorporation, shall be duly and validly issued, fully paid and non-assessable and will be issued in compliance with all applicable federal and state securities laws.

2.6 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement. Based in part upon the representations of the Investor in this Agreement the sale and issuance of the Preferred Stock in conformity with the terms of this Agreement are exempt from the registration requirements of the Securities' Act of 1933 (the "Act"), as amended, and as in effect on the date hereof.

2.7 Litigation. There is no action, suit, proceeding or investigation pending or currently threatened against the Company or any of its subsidiaries that questions the validity of this Agreement or the right of the Company to enter into it, or to consummate the transactions contemplated hereby, or that might result, either individually or in the aggregate, in any material adverse changes in the assets, condition, affairs or prospects of the Company, financially or otherwise, or any change in the current equity ownership of the

Company, nor is the Company aware that there is any basis for any of the foregoing.

2.8 Employee Agreements. Each employee and officer of the Company has executed an Agreement with the Company regarding confidentiality and proprietary information. The Company, after reasonable investigation, is not aware that any of its employees are in violation thereof, and the Company will use its best efforts to prevent any such violation.

2.9 Patents and Trademarks.

(a) The Company and its subsidiaries: (i) have legal and equitable title to, or have by license or other grant, the right to use, free and clear of all liens, claims and restrictions, all proprietary technology or information, letters patent, both domestic and foreign, all registered and unregistered trademarks, tradenames, service marks, certification marks, copyrights, and applications from any and all of the above used in the conduct of both the Company's and its subsidiaries' business as now conducted, or as proposed to be conducted; (ii) does not, to the best of the Company's and its subsidiaries' knowledge, infringe upon the patent, trademark, tradename, service mark, copyright or proprietary information rights of any third party in the conduct of their business as now conducted or as proposed to be conducted; (iii) are not obligated or under any liability whatsoever to make any payments by way of royalties, fees or otherwise to any owner of, licensor of, or other claimant to any letters patent, trademark, tradename, service mark, certification mark, copyright or proprietary technology, or information with respect to the use thereof, or in connection with the conduct of its business or otherwise; (iv) neither the Company nor any of its subsidiaries have licensed or granted any rights to any third parties under its letters patent, trademarks, tradenames, service marks, certification marks, copyrights or proprietary technology or information used in the conduct of its business; (v) neither the Company nor any of its subsidiaries have notice, knowledge or belief that any of the Company's or its subsidiaries' patents, trademarks, tradenames, service marks, certification marks or copyrights are invalid, and all registrations, where filed therefor, are subsisting and are in the name of the company or its subsidiaries; (vi) neither the Company nor its subsidiaries have notice, knowledge or belief that any of the technology or information used in the conduct of their business was illegally obtained.

(b) The Company and its subsidiaries employ procedures in their daily operations to maintain the proprietary nature of, own and have the unrestricted right to use, all trade secrets, including know-how, inventions, designs, processes, computer software and documentation for such software and technical data required for or incident to the development, manufacture, operation and sale of all products and services sold or proposed to be sold by the Company or its subsidiaries, free and clear of any rights, liens or claims of others, including without limitation, all current and former employees, consultants, officers, directors and shareholders of the Company and its subsidiaries.

2.10 Compliance with Other Instruments.

(a) The Company is not in violation or default of any provisions of its Articles of Incorporation or Bylaws or of any instrument, judgment, order, writ, decree or contract to which it is a party or by which it is bound or, to its knowledge, of any provision of federal or state statute, rule or regulation applicable to the Company. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not result in any such violation or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument, judgment, order, writ, decree or contract or any event which results in the creation of any lien, charge or encumbrance upon any assets o the Company.

(b) The Company has avoided every condition, and has not performed any act, the occurrence of which would result in the Company's loss of any right granted under an license, distribution or other

Agreement.

(c) No employee of the Company or any of it subsidiaries is in violation of any term of any employment contract, patent, proprietary information, disclosure agreement, or any other contract or agreement relating to the right of an such employee to be employed by the Company or any of its subsidiaries because of the nature of the business conducted or proposed to be conducted by the Company and its subsidiaries, or for any reason, and the continued employment by the Company and its subsidiaries of their present employees will not result in any such violation.

2.11 Disclosure. The Company has fully provided Investor with all the information which Investor has requested for deciding whether to acquire the Preferred Stock and all information which the Company believes is reasonably necessary to enable Investor to make such decision, including the Company's Annual Report for its fiscal year ending August 31, 1990, and its 10Q reports for the periods ending November 30, 1990 and February 28, 1991 (collectively, the "Financial Reports"). None of the Financial Reports, this Agreement nor any other statements or certificates made or delivered in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements herein or therein not misleading.

2.12 Registration Rights. Except as provided in Section 9 of this Agreement and in Article 7 of the Subordinated Convertible Debenture dated March 28, 1990 (the "$625,000 Debenture"), and in Article 7 of the Subordinated Convertible Debenture dated December, 1990 (the "$750,000 Debenture"), both issued to Welco, the Company has not granted or agreed to grant any registration rights, including piggyback rights, to any person or entity.

2.13 Title to Property and Assets. The Company or its subsidiaries own their respective property and assets free and clear of all mortgages, liens, loans and encumbrances, except such encumbrances and liens of record which do not materially impair the Company's ownership or use of such property or assets. With respect to the property and assets it leases, the Company is in compliance with such leases and, to the best of its knowledge, holds a valid leasehold interest free of any liens, claims or encumbrances.

2.14 Tax Return and Payments. The Company and its subsidiaries have filed all federal, state, county, local and foreign tax returns, reports and forms for income, excise, social security, property, payroll and other taxes which are required to be filed by them ("Tax Returns"). The Company and its subsidiaries have paid, or adequate provision has been made on the Financial Statements for the payment of all federal, state, county, local and foreign taxes, assessments, levies or duties, howsoever measured or imposed (collectively the "Taxes") (and related interest and penalties, if any), and shown on such tax returns, and no taxes in addition to those so paid or provided by the Company or its subsidiaries on or after the Closing Date in respect to the period prior to and including the Closing Date. No unexpired waiver of the applicable statute of limitations with respect to any taxable year has been executed by the Company or its subsidiaries. There are not any tax examinations or audits under way involving the Company or any of its subsidiaries.

2.15 Insurance. The Company and its subsidiaries have in full force and effect fire and casualty insurance policies, with extended coverage, sufficient in amount (subject to reasonable deductibles) to allow them to replace any of their properties that might be damaged or destroyed.

2.16 Labor Agreements and Actions. The Company and their subsidiaries are not bound by or subject to (and none of its assets or properties is bound by or subject to) any written or oral, express or implied, contract, commitment or arrangement with any labor union, and no labor union has requested or, to the knowledge of the Company, has sought to represent any of the employees, representatives or agents

of the Company or any of its subsidiaries. There is no strike or other labor dispute involving the Company or any of its subsidiaries pending, or to the knowledge of the Company threatened, which could have a material adverse effect on the assets, properties, financial condition, operating results, or business of the Company or any of its subsidiaries (as such businesses are presently conducted and as they are proposed to be conducted), nor is the Company aware of any labor organization activity involving its employees or the employees of any of its subsidiaries. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company or any of its subsidiaries, nor does the Company or any of its subsidiaries have a present intention to terminate the employment of any of the foregoing.

2.17 Product Warranty Provisions

There is adequate provision in the Financial Statements for liabilities and obligations for damaged, defective or returned goods, or for replacement of goods, or for allowances with respect to goods sold or services rendered by or on behalf of the Company or its subsidiaries.

2.18 Brokers or Finders; Other Offers. The Company and its subsidiaries have not incurred, and will not incur, directly or indirectly, as a result of any action taken by them, any liability for brokerage or finder's fees or agent's commissions in connection with this Agreement.

2.19 Compliance with Laws

(a) The Company and its subsidiaries are in full compliance with all laws, rules and regulations applicable to or affecting them or the conduct of their business and affairs, and have secured all governmental licenses, permits and approvals necessary to their businesses.

(b) Other than sales tax licensing and corporate approvals to do business, no government licenses, permits or approvals are otherwise required by the Company or its subsidiaries to conduct their business.

3. Representations and Warranties of the Investor. The Investor hereby represents and warrants to the Company that:

3.1 Authorization. This Agreement constitutes his valid and legally binding obligation, enforceable in accordance with its terms.

3.2 Purchase Entirely for Own Account. This Agreement is made with Investor in reliance upon such Investor's representation to the Company, which by such Investor's execution of this Agreement such Investor hereby confirms, that the Preferred Stock will be acquired for investment for such Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, except as described herein, and that Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, Investor further represents that, except as set forth herein, Investor does not presently have any contract, undertaking, Agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Preferred Stock. Investor represents that he has full power and authority to enter into this Agreement.

3.3 Disclosure of Information. Investor believes that he has received all the information it considers necessary or appropriate for deciding whether to acquire the Preferred Stock. Investor further represents that he has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Preferred Stock. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 of this Agreement or

the right of Investor to rely thereon.

3.4 Investment Experience. Investor is an investor in securities of companies in the development stage and acknowledges that he is able to fend for himself, can bear the economic risk of his investment and has such knowledge and experience in financial or business matters that he is capable of evaluating the merits and risks of the investment in the Stock.

3.5 Restricted Securities. Investor understands that the shares of Preferred Stock, and the shares of Common Stock issuable upon conversion thereof, are characterized as "restricted securities" under the federal securities laws in as much as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such shares may be resold without registration under the Securities Act of 1933, as amended (the "Act"), only in certain limited circumstances. In this connection, Investor represents that he is familiar with SEC Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Act.

3.6 Further Limitations on Disposition. Without in any way limiting the representations set forth above, Investor further agrees not to make any disposition of all or any portion of the Preferred Stock unless and until:

(a) There is then in effect a Registration Statement under the Act covering such proposed disposition an such disposition is made in accordance with such Registration Statement; or

(b) (i) Investor shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (ii) if reasonably requested by the Company, Investor shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration under the Act. It is agreed that the Company will not require opinions of counsel for transactions made pursuant to Rule 144 except in unusual circumstances.

3.7 Legends. It is understood that the Preferred Stock, and the shares of Common Stock issuable upon conversion thereof and any securities issued in respect thereof or exchange thereof may bear the following legends.

> "These securities have not been registered under the Securities Act of 1933. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to the Company that such registration is not required or unless sold pursuant to Rule 144 of such Act."

4. Covenants of Company. Company hereby covenants and agrees as follows:

4.1 Maintain Corporate Rights and Facilities. Maintain and preserve its corporate existence and all rights, franchises and other authority adequate for the conduct of its business; maintain its properties, equipment and facilities in good order and repair and conduct its business in an orderly manner without voluntary interruption.

4.2 Maintain Insurance. Maintain liability, property damage and workmen's compensation insurance on all its insurable property against fire and other hazards with responsible insurance carriers to the extent usually maintained by companies in the same business.

4.3 Pay Taxes and Other Liabilities. Pay and discharge before the same become delinquent and before penalties accrue thereon, all taxes, assessments and governmental charges upon or against it or

any of its property, and all its other material liabilities at any time existing, except to the extent and so long as: (i) the same are being contested in good faith and by appropriate proceedings in such manner as not to cause any adverse effect upon its financial conditions or the loss of any right of redemption from any sale thereunder; and (ii) it shall have set aside on its books reserves (segregated to the extent require by sound accounting practice) deemed by it adequate with respect thereto; and pay all governmental charges or taxes at any time payable or ruled to be payable in respect of any existing or hereafter enacted federal or state statute, and indemnify and hold harmless against liability in connection with any such charges or taxes.

4.4 Delivery of Financial Statements. If the Company ceases to be subject to the reporting requirement of the 1934 Act, and provided delivery of the reports does not constitute unlawful disclosure of inside information, the Company shall deliver to Investor:

(a) as soon as practicable, but in any even within ninety (90) days after the end of each fiscal year of the Company, an income statement for such fiscal year, a balance sheet of the Company as of the end of such year and a schedule as to the sources and applications of funds for such year such, year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles ("gaap"), and audited and certified by independent public accountants of nationally recognized standing selected by the Company.

(b) as soon as practicable, but in any event within forth-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited profit or loss statement and schedule as to the sources and application of funds for such fiscal quarter and an unaudited balance sheet as of the end of such fiscal quarter in reasonable detail;

(c) within thirty (30) days of the end of each month, an unaudited income statement and schedule as to the sources and application of funds and balance sheet for and as of the end of such month, in reasonable detail;

(d) as soon as practicable, but in any event within thirty (30) days following the start of each fiscal year, a budget and business plan for the such fiscal year, prepared on a monthly basis, including balance sheets and sources and applications of funds statements for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company; and

(e) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as Investor or any assignees of Investor may from time to time request.

5. Conversion and Purchase Rights

5.1 Investor's Right to Convert. Investor shall have the right from and after issuance of the Preferred Stock to him to convert any portion of the Preferred Stock then outstanding into fully-paid and non-assessable shares of "capital stock" of the Company. "Capital Stock" shall mean the common voting stock of the Company. Upon the surrender of all or any portion of the Perferred Stock, accompanied by Investor's written request for conversion, The Company shall issue and deliver to Investor certificates evidencing such shares of Capital Stock as hereinafter set forth. If a portion is converted, the Company shall deliver to the Investor a certificate of the proper number of shares of Capital Stock for the portion so converted.

5.2 Conversion Price. Subject to readjustment as provided in Section 5.3 hereof, the conversion price (hereinafter the "Conversion Price") shall be equal to $1.25 per share, which, assuming full conversion of the Preferred Stock converts into 60,000 shares of Capital Stock.

5.3 Adjustment of Conversion Terms. The Conversion Price and number of shares to be issued upon conversion or purchase determined pursuant to Paragraph 5.2 above shall be subject to adjustments from time to time upon the happening of certain events while this conversion or purchase right remains outstanding, as follows:

(a) Merger, Sale of Assets, Consolidation. If the Company at any time shall consolidate with or merge into or sell or convey all or substantially all of its assets to any other entity, the Preferred Stock shall thereafter evidence the right to be converted into Capital Stock in such number and kind as would have been issuable or distributable on account of such consolidation, merger, sale or conveyance, upon or with respect to the securities subject to the conversion or purchase right immediately prior to such consolidation, merger, sale or conveyance. The foregoing provisions shall similarly apply to successive transactions of a similar nature by any such successor or purchaser. Without limiting the generality of the foregoing, the anti-dilution provisions of the Preferred Stock shall apply to such securities of such successor or purchaser after any such consolidation, merger, sale or conveyance.

(b) Reclassification. If the Company at any time shall by subdivision, combination or reclassification of securities or otherwise, change any of the securities then purchasable upon the exercise of the conversion or purchase right contained in the Preferred Stock into the same or a different number of securities of any class or classes, the Preferred Stock shall thereafter evidence the right to purchase such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the conversion or purchase right immediately prior to such subdivision, combination, reclassification or other change. If the shares of Capital Stock are subdivided or combined into a greater or smaller number of shares of Capital Stock, the Conversion Price shall be proportionately reduced in case of subdivision of shares or proportionately increased in the case of combination of shares, both cases by the ratio which the total number of shares of Capital Stock to be outstanding immediately after such event bears to the total number of shares of Capital Stock outstanding immediately prior to such event.

(c) Share Issuance. If the Company at any time shall issue and sell or otherwise distribute any shares of Capital Stock (other than as provided in sub-paragraph (b) above and except for shares issued pursuant to the outstanding debentures of the Company issued to Welco or certain qualified and non-qualified employee stock options, at a price per share less then the Conversion Price in effect at the time of such issue, or without consideration, then, and thereafter successively upon each such issue, the Conversion Price shall be adjusted as follows: the number of shares of Capital Stock outstanding immediately prior to such issue shall be multiplied by the Conversion Price in effect at the time of such issue, and there shall be added to the product so obtained the aggregate consideration, if any, received by the Company upon such issue of additional shares of Capital Stock. The sum so obtained shall be divided by the number of shares of Capital Stock outstanding immediately after such issue, and the resulting quotient shall be the adjusted Conversion Price. Adjusted Conversion Prices shall in all cases be computed to the nearest even cent. The number of shares of Capital Stock purchasable upon exercise of the conversion feature of the Preferred Stock shall be adjusted as follows: The number of shares originally specified herein shall be multiplied by the Conversion Price originally specified herein, and the resulting product shall be divided by the Adjusted Conversion Price as provided above in this paragraph. The resulting quotient shall be the adjusted number of shares purchasable hereunder, and shall be computed to the nearest 1/100th of one share. For the purposes of this sub-paragraph, the following provisions shall be applicable.

(1) In the case of the issuance of additional shares of Capital Stock for cash, the consideration received by the Company therefor shall be deemed to be the cash proceeds received by the Company for such shares before deducting any commissions or other expenses paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance of such shares.

(2) In case of the issuance (otherwise than upon conversion or exchange of obligations or shares of stock of the Company of additional shares of Capital Stock for a consideration other than cash or a consideration a part of which shall be other than cash, the amount of the consideration other than cash received by the Company for such shares shall be deemed to be the value of such consideration as determined reasonably and in good faith by the board of directors of the Company.

(3) In case of the issuance by the Company after the date hereof of (a) any security that is convertible into shares of Capital Stock of the Company; (b) any rights or options to purchase Capital Stock of the Company, the Company shall be deemed to have issued the maximum number of shares of Capital Stock into which such convertible security may be converted, and the maximum number of shares of Capital Stock deliverable upon the exercise of such rights or options, for the consideration received by the Company for such convertible security or for such rights or options (plus the amount of any underwriting discount), as the case may be, and before deducting therefrom any expenses or commissions incurred or paid by the Company for any underwriting of, or otherwise in connection with, the issuance of such convertible security or rights or options, plus any consideration or payment to be received by the Company in connection with such conversion. No further adjustments of the Conversion Price shall be made as a result of the actual issuance of the shares of Capital Stock of the Company upon conversion of any convertible security referred in this clause (3) except that on the exercise of the right to convert such convertible security or on termination or expiration of such right, the Conversion Price hereunder will be readjusted to such as would have been obtained had the adjustment made upon the issuance of such convertible security been made on the basis of (i) the number of shares of Capital Stock actually issued upon the conversion of such convertible security; and (ii) the consideration actually received by the Company upon such conversion; provided that no such readjustment shall effect conversions previously made pursuant to this article.

(4) For purposes hereof, any additional shares of Capital Stock issued as a stock dividend shall be deemed to have been issued for no consideration.

(5) The number of shares of Capital Stock at any time outstanding shall exclude all shares then owned or held by or for the account of the Company.

(6) Shares reserved as of the date hereof for issue upon the exercise of outstanding stock options, warrants and rights shall be deemed to be issued at a price per share equal to the conversion price or adjusted Conversion Price in effect at the date of issue.

5.4 Fractional Shares. No fractional shares of Capital Stock will be issued in connection with any conversion or purchase hereunder, but in lieu of such fractional shares, Company shall make a cash payment therefor upon the basis of the Conversion Price then in effect.

5.5 Authorized Shares. The Company covenants that during the period of conversion, the Company will reserve from its authorized and unissued capital stock a sufficient number of shares to provide for the issuance of Capital Stock upon the conversion of the Preferred Stock. The Company agrees that its issuance of the Preferred Stock shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Capital Stock upon the conversion of the Preferred Stock pursuant hereto.

5.6 Method of Conversion. The Preferred Stock may be converted by the Investor in whole or in part by the surrender of Preferred Stock or a portion thereof at the principal offices of the Company.

6. Conditions of Investor's Obligations at Closing. The obligations of Investor under Section 1 of this Agreement are subject to the fulfillment, on or before the Closing, of each of the following conditions:

6.1 Representations and Warranties. The representations and warranties of the Company and its subsidiaries contained in Section 2 shall be true on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of such Closing.

6.2 Performance. The Company and its subsidiaries shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

6.3 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated a the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investor and Investor's counsel, and they shall have received all such counterpart original and certified or other copies of such documents as they may reasonably request.

6.4 Minimum Investment. The Company shall issue and sell, at the Closing, Preferred Stock with a gross aggregate purchase price of not less than $300,000.00.

7. Conditions of the Company's Obligations at Closing. The obligations of the Company to the Investor under this Agreement are subject to the fulfillment, on or before the Closing, of each of the following conditions by the Investor:

7.1 Representations and Warranties. The representations and warranties of Investor contained in Section 3 shall be true on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the Closing.

7.2 Payment of Purchase Price. Investor shall have delivered to the Company the purchase price specified in Section 1.2.

7.3 Minimum Investment. The Company shall sell and issue, at the Closing, Preferred Stock with a gross aggregate purchase price of not less than $300,000.00.

8. Registration Rights. The Company covenants and agrees as follows:

8.1 Registration by Company. If at any time the Company proposes to issue Capital Stock pursuant to a registration under the Act, the Company will give prompt written notice to Investor of its intention to effect such a registration and, subject to the limitations of Section 8.3 below, will include in such registration (and related qualification under blue sky laws or other compliance) those shares of Capital Stock for which the Company has received a written request for inclusion within twenty (20) business days after receipt by Investor of the Company's notice. Investor agrees to pay the additional registration expenses allocable to the inclusion of Investor's shares.

8.2 Registration Requested by Investor. In the event that Investor desires to sell all or part of his shares of Capital Stock pursuant to a registration under the Act, then in addition to Investor's rights pursuant to subsection 8.1 above, Investor may request that the Company register under the Act all or part of such shares of Capital Stock. The Company will use its best efforts to effect such a registration of such shares of Capital Stock. Within ten (10) days after receipt of such request, the Company will give written notice of its desire to include in such registration Capital Stock it proposes to issue and sell pursuant to the registration. Subject to the limitations of Section 8.3, such registration will allow for the disposition of Capital Stock requested to be included therein in accordance with the intended methods of disposition described in the request of Investor, and the Company shall use its best efforts to maintain such registration effective for a period ending no earlier than four (4) months after its initial effective date. The sale of

Capital Stock pursuant to such registration may be underwritten by an investment banker and/or underwriter(s) selected by Investor. Investor will reimburse the Company for its out-of-pocket expenses incurred in connection with such registration (not including the costs of time spent by the Company's employees) and will pay all additional expenses of such registration provided that the Company will pay the additional registration expenses allocable to the inclusion of Capital Stock it proposes to register.

8.3 Best Efforts. In the event of a firm commitment or best efforts underwriting on behalf of the Company, if the managing underwriter(s) advise the Company in writing that in their opinion the number of shares of Capital Stock requested to be included in such registration by the Company and Investor exceed the number of shares which can be sold in such underwriting the Company will include in such registration (i) first, the number of shares of Capital Stock being sold by the Company for its own account, and (ii) second, the shares of Stock requested to be included in such registration by Investor. In the event of a firm commitment underwriting on behalf of Investor pursuant to Section 8.2 hereof, if the managing underwriter(s) advise the Company in writing that in their opinion the number of shares of Capital Stock to be included exceeds the number of shares which can be sold in such underwriting, the Company will include in such registration (i) first, the number of shares of Capital Stock that Investor proposes to sell, and (ii) second, the shares of Capital Stock requested to be included by the Company.

8.4 Indemnification. The Company will indemnify Investor and each underwriter of such shares sold by Investor against all claims, losses, damages, liabilities and expenses resulting from any untrue statement or alleged untrue statement of a material fact contained in a prospectus or any related registration statement, notification, filing or the like or from any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same may have been based on information furnished in writing to the Company by Investor or such underwriter expressly for use therein and used in accordance with such writing, and from any omission from such writing or alleged omission therefrom of a material fact needed to be furnished when necessary to make the information furnished not misleading. Investor, by acceptance of the registration provisions provided herein, agrees to furnish to the Company such information concerning Investor as may be requested by the Company which is necessary in connection with any registration pursuant to this Section 8, and to indemnify the Company against all claims, losses, damages, liabilities and expenses resulting from any untrue statement of a material fact or alleged untrue statement of a material fact furnished in writing to the Company by Investor expressly for use in a prospectus or any related registration statement, notification, filing or the like and used in accordance with such writing and from any omission from such writing or alleged omission therefrom of a material fact needed to be furnished or necessary to make the information furnished not misleading.

9. Miscellaneous.

9.1 Survival of Warranties. The warranties, representations and covenants of the Company and the Investor contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Investor or the Company.

9.2 Transfer; Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties. This Agreement shall not be assigned by either party without the prior written consent of the other party. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

9.3 Governing Law. This Agreement shall be governed by and construed under the laws of the

State of Arizona.

9.4 Counterparts. This Agreement may be executed in two or more counterparts of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.5 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

9.6 Finder's Fees. Each party represents that it neither is nor will be obligated for any finder's fee or commission in connection with this transaction.

9.7 Amendments and Waivers. Any term of this Agreement may be amended and compliance with or performance of any term of this Agreement may be waived with the written consent of the parties hereto.

9.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

9.9 Entire Agreement. This Agreement constitutes the entire Agreement between parties hereto pertaining to the subject matter hereof, and any and all other written or oral agreements existing between the parties hereto are expressly cancelled.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

COMPANY:

PHOTOCOMM, INC.,
an Arizona Corporation

By: Jon LaVoy

It's C.F.O.

INVESTOR:

Robert R Kauffmann
ROBERT R. KAUFFMAN